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SUBJECT: Hesse State Election Preview: SPD Gaining Ground?

REF: 06 Frankfurt 8092

11. SUMMARY. Six months before Hesse state elections (January 2008), both major parties have presented their economic programs. Following an ambitious program from Social Democratic challenger Andrea Ypsilanti, Hesse Minister President Koch has presented a slightly populist program which is light on reforms. Enjoying a surprising bounce in polls, the SPD has forced Koch to react on topics that are not traditional CDU strengths: renewable energy and climate change. END SUMMARY.

Ypsilanti 2008: Renewable Energy and Climate Change

12. In the SPD plan revealed in early 2007, Hesse would move quickly away from nuclear and non-renewable energy. It would become independent from nuclear energy by 2013, the year the nuclear power plant Biblis B in South Hesse is slated for decommissioning. At the same time, Hesse would lower its usage of coal, gas and oil, instead relying on renewable sources of energy, including wind turbines, solar cells, and water. According to the SPD, renewable energy sources would create new job opportunities in rural northern Hesse. Ypsilanti's opponents have characterized her program as unaffordable and unrealistic.

Koch 2008: Airport Expansion and Government Spending

13. In early June, Hesse Minister President Roland Koch outlined his proposed economic agenda for a third term. He would hire more teachers and policemen and abolish fees for kindergarten; he would achieve a balanced budget by 2010; and he would further develop the state's infrastructure. One of the key planks on the latter point is construction of an additional runway for Frankfurt airport. Koch argues that the enlargement of the airport is only possible with a CDU government in Hesse. Popular belief is that the Greens would block the project in a red-green government (the most likely left coalition), even though Ypsilanti also supports airport expansion. Green Party Chairman for Hesse Kai Klose recently told Pol/Econ specialist that the party would have to accept airport expansion in the event of a coalition with the SPD, however, he mused that it would be politically expedient if it were enacted under the current administration, thus absolving the Greens of responsibility.

14. If re-elected, Koch would support the development of alternate energy sources, including nuclear energy. He has not yet explained how he would pursue this policy without violating federal law requiring a phase out of nuclear energy by 2020. 90% of the state's energy sources now are nuclear or coal-burning power plants and CDU officials predict Hesse will need nuclear power to ensure its energy supply for at least the next 50 years. Koch pledges to ensure affordable energy for Hesse, describing the SPD's "utopian" energy policies as leading to higher prices.

Unexpected Challenge for Koch

15. Though Koch is considered the stronger politician when it comes to economic policy, a recent study by two research institutes (Initiative Neue Soziale Marktwirtschaft and Institut der deutschen

Wirtschaft) and the weekly magazine Wirtschaftswoche revealed that Hesse ranks fifteenth in economic dynamism among German states, ahead of only Brandenburg. The state of Hesse does not invest enough in science, there are fewer applications for patents, and unemployment has grown 1% in the last year compared to a national rate of 0.2%. Balancing these findings is the indisputable fact that Hesse is still the most productive state in Germany: its GDP is Euro 33,614 per capita (average: 25,082) and labor productivity is the highest in Germany. Koch ignores the study claiming that Hesse remains the most dynamic state in Germany, but he must make his claims credible to voters on the campaign trail to score points on the economic issue.

#### Unexpected Openings for Ypsilanti

¶16. Though it is still early in the campaign, polls indicate a tightening race. After the SPD state party convention in December 2006, the SPD polled 27%, far below the Hesse CDU at 43%. At that time, the Hesse CDU felt confident of victory, due to the fact that Roland Koch is an established, eloquent and successful minister president. However, by making energy her central topic and addressing climate change, Ypsilanti has found a weak spot in Roland Koch's armor. In a late May poll, the CDU polled 40%, SPD 34%, Greens 11% and FDP 9%, giving a potential SPD/Green coalition 45% and a CDU/FDP coalition 49%.

#### Conclusion

¶17. As surprising as it is that Andrea Ypsilanti could gain ground on Roland Koch in a conservative stronghold like Hesse, the bigger surprise is that she appears to be making inroads in an area that has been his strong point - economic policy. Should the energy theme prove a winner in Hesse, it may also become attractive for the national SPD. After eight years of Koch in power (the last four

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without a coalition partner), the electorate may be tiring of the current government; both the Green party and the Hesse SPD are campaigning with the slogan: "Koch muss weg" (Koch must go).

¶18. This cable has been coordinated with Embassy Berlin.

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